

Foundations of Reform

Since the 1980s a global reform movement in public management has been vigorously under way. The movement has been global in two senses. First, it has spread around the world to nations including Mongolia, Sweden, New Zealand, and the United States. Second, it has been sweeping in scope. Governments have used management reform to reshape the role of the state and its relationship with citizens. Some nations, such as the United States, have been inveterate reformers.

The movement has been striking because of the number of nations that have taken up the reform agenda in such a short time and because of how similar their basic strategies have been. In general it has embodied six core characteristics:¹

—*Productivity*: How can governments produce more services with less tax money? Citizens everywhere have demanded a rollback in their taxes but have scarcely reduced their taste for government services. Governments have had to find ways to squeeze more services from the same—or smaller—revenue base.

—*Marketization*: How can government use market-style incentives to root out the pathologies of government bureaucracy? Some governments have privatized extensively by selling public enterprises, whereas others have relied heavily on nongovernmental partners for service delivery. In both cases, they struggled to change the driving incentives of public policy. Underlying all these tactics is a basic strategy: Replace

traditional bureaucratic command-and-control mechanisms with market strategies, and then rely on these strategies to change the behavior of program managers.

—*Service orientation*: How can government better connect with citizens? Public opinion polls show that public trust in government institutions has declined and that many citizens believe that government programs are unresponsive. To make programs more responsive, governments have tried to turn their service delivery systems upside down. Instead of designing programs from the point of view of service providers (especially government officials) and managing them through existing bureaucratic structures, reformers have tried to put citizens (as service recipients) first. In some cases, this strategy has meant giving citizens choice among alternative service systems. In other cases, it has meant training program managers to focus on service. Markets naturally provide consumers with choice. Government reformers have used market mechanisms to give citizens the same choice—or at least to encourage a customer-oriented approach in government services.

—*Decentralization*: How can government make programs more responsive and effective? In many nations, the reform strategy has decentralized many programs to lower levels of government. In some federal systems (for example, Australia, Canada, Switzerland, and the United States), this strategy has meant shifting power within the system. In other nations, it has meant transferring more service delivery responsibilities to local governments as an additional tactic to make government more responsive. Some governments also have decentralized responsibility within public agencies to give frontline managers greater incentive and ability to respond to citizens' needs.

—*Policy*: How can government improve its capacity to devise and track policy? Many governments, following the lead of New Zealand, have quite explicitly separated government's role as purchaser of services (its policy function) from its role in providing them (its service-delivery function). These governments have sought to improve the efficiency of service delivery, which might or might not remain in the hands of government, while improving their purchasing capacity.

—*Accountability for results*: How can governments improve their ability to deliver what they promise? Governments have tried to replace top-down, rule-based accountability systems with bottom-up, results-driven systems. They sought to focus on outputs and outcomes instead of processes and structures.

Painted with the broadest brush, these reforms sought to replace traditional rule-based, authority-driven processes with market-based, competition-driven tactics. Indeed, many nations with substantial state-owned enterprises (such as telephone companies, airlines, and power generation companies) explicitly applied the market model to them. But the global reform process is much more than—and often very different from—a simple effort to replace government processes with markets.

Competitive markets often do not exist for government services. Many of these services (from public assistance to public health and safety) have fuzzy goals that would frustrate full reliance on the markets. The market model often has provided an easy handle with which to grab the reform movement, but its execution has been varied and subtle. Uniting the different efforts are strategies to push operational decisions closer to the front lines; to focus those decisions on results rather than on processes; to increase efficiency by testing government's processes against private markets; to increase the responsiveness of government to its citizens; and to increase the capacity of government, especially central government, to manage effectively.

The Transformation of Public Management

What explains the fact that so many governments pursued such similar strategies so aggressively at much the same time? Four different political-economic forces have been at play:

—*Political*: With the end of the cold war, many nations found themselves amid widespread debates about the role of government. In nations that once lay behind the Iron Curtain, governments had the daunting task of transforming their basic systems of governance, devising institutions that are more democratic, building civil society, and reshaping their relationships with citizens. Developing nations found themselves under quite similar pressures, along with strong calls to modernize their economies quickly. Industrialized nations had to deal with the decline of citizen trust and confidence in public institutions. Candidates around the world have waged successful campaigns on the theme of shrinking government and reducing its work force. Citizens rarely have embraced the idea of a “smaller” government in terms of the services they receive. The political force for somehow shrinking government has nevertheless spread around the world. Together, these forces combined to create strong political pressures for reform.

—*Social*: Some nations faced profound societal transformation. In South Africa, for example, the end of apartheid required the government to find ways to bring disenfranchised blacks into political life. Many Eastern European nations have been working to reconstruct their social, legal, economic, and political systems. In many industrialized nations, standards of living stagnated; many families required two wage earners to match the standard of living that one formerly provided. Finally, societies everywhere struggled to cope with the radical shift from the industrial to the information age. Ideas spread with stunning speed; companies—and nations—that failed to keep up were punished quickly and harshly. These transformations pressed governments strongly toward reform.

—*Economic*: In the late 1990s the Asian flu and other crises brought profound challenges to the financial structure of East Asian nations. After years of “Asian miracles,” economic crises brought harsh challenges to the governments and great urgency for reform. Other nations, such as New Zealand and the United Kingdom, launched their reforms to escape economic stagnation and to fuel economic growth. Corporate leaders in many nations have complained that government, especially its tax and regulatory policies, has reduced economic growth and limited their businesses’ global competitiveness. Deregulation, privatization, and other tactics to promote job creation and economic growth have been central to the debate.

—*Institutional*: All governments have found themselves part of an increasingly global economy and political system. Major initiatives—military, economic, and political—require careful negotiation and partnership. Within the European Union, nations are racing to harmonize their policies and create supranational structures to shape future programs. Meanwhile, international organizations, including the United Nations, the World Bank, the International Monetary Fund, the Inter-American Development Bank, and the World Trade Organization, are playing big roles in shaping the world community. Nongovernmental organizations have become vastly numerous and very important in shaping political debate and service delivery. Many national governments have devolved power down to the local level. Political power and program administration have simultaneously become more concentrated at levels above the nation-state and less concentrated in subnational governments and civil society. The result is a new constellation of relationships not well understood but hugely important.

Reform and Governance

The reformers have shared their experiences with each other. The reform movement has spread like wildfire, often without careful analysis of the results they have produced or the preconditions for success. In the middle of this wildfire is a profound paradox: Government management is both more and less important than the reform movement suggests.

On one hand, macrogovernance and macroeconomic issues often swamp management reform. What matters most usually is whether the economy is growing and whether citizens think government is working. New Zealanders tend to gauge the success of their nation's reforms by how long they have to wait for medical procedures and how many citizens emigrate to other nations. Swedes assess their reforms by the level of economic growth, continuation of treasured social welfare programs, and maintenance of social cohesion.

On the other hand, government bureaucracy and its management play a central role in these macro-level political and economic issues. For governments to grow, they must manage their debt and public programs effectively. Government managers and elected officials alike have complained that standard bureaucratic procedures frequently handicap their government's ability to respond effectively to global challenges. Hence, government reform is often much more important than it appears on the surface. Without strong public management well-equipped to tackle the problems government faces, governments in many nations have been unable to play their required roles.

In short, as I suggest in this volume, the most important aspect of the global reform movement in public management is that public management is only part of the picture. The problems the movement seeks to solve have to do with government's relationship with civil society. Its strategies and tactics seek to strengthen government's capacity to meet citizens' hopes. The success or failure of the movement depends on how deeply its reforms become wired into a nation's governance systems—its political institutions, public expectations, and civil society.

In fact, the global public management movement is part of a fundamental debate about governance. The implicit assumption is that the government of the past century will not effectively tackle the problems of the next. What should government do? How can it best accomplish those goals? What capacity does it need to do it well? What should be

the relationship between the nation-state and multinational organizations? What should be the relationship between nation-states and sub-national governments, the private sector, and nongovernmental organizations? How can government best promote democratic accountability? How can the emerging structures and relationships promote the interests of citizens as a whole and escape capture by narrow interests? How can citizen distrust and alienation be minimized? The management reform movement builds on the notion that good governance—a sorting out of mission, role, capacity, and relationships—is a necessary (if insufficient) condition for economic prosperity and social stability.

On the pages that follow I discuss the basic models of reform, especially in New Zealand and the United States. A standard tool kit of strategies and tactics has driven the reforms, in these nations and around the world. They shape important problems of governance and raise profound implications for governance in the twenty-first century.